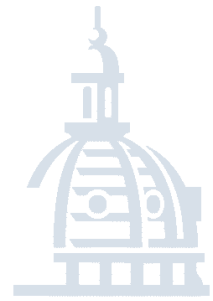


# Fiscal Note

*Fiscal Services Division*



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**SF 464** – Biodiesel Content Requirement (LSB2135SZ)

Analyst: Jeff Robinson (Phone: 515-281-4614) ([jeff.robinson@legis.state.ia.us](mailto:jeff.robinson@legis.state.ia.us))

Fiscal Note Version – New

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## **Description**

**Senate File 464** eliminates the current biodiesel retail tax credit effective July 1, 2009. The Bill also requires all diesel fuel sold in the State to contain a minimum percentage of biodiesel. Exceptions to the requirement are specified.

## **Background**

Iowa's biodiesel tax credit was created in House File 2754 (Renewable Fuels Act of 2006). The credit is available to fuel retailers selling a specified percentage of biodiesel gallons and is equal to three cents per qualified gallon sold. The credit is refundable and sunsets at the end of tax year 2011.

## **Assumptions**

1. The Department of Revenue estimates biodiesel tax credit redemptions will equal the following amounts under current law:  
  
FY 2010 – \$4.6 million  
FY 2011 – \$5.0 million  
FY 2012 – \$5.5 million
2. The biodiesel credit contains a threshold level of biodiesel sales based on total diesel gallons sold during a taxpayer's tax year (50.0% or more biodiesel gallons compared to total diesel gallons sold at a location). Removing the credit effective July 1, 2009, will eliminate credit availability in the middle of all or most retailers' tax year. It is assumed the credit will be allowed for all gallons sold up to July 1, 2009, but the 50.0% threshold percentage of biodiesel gallons to diesel gallons will still be required and applied to the retailer's tax year.

## **Fiscal Impact**

Removing the biodiesel tax credit effective July 1, 2009, will reduce tax credit redemptions and increase net General Fund revenue by the following amounts.

- FY 2010 – \$2.3 million
- FY 2011 – \$5.0 million
- FY 2012 – \$5.5 million

## **Sources**

Department of Revenue Biofuel Retailers' Tax Credit Study (January 2009)  
Legislative Services Agency Analysis

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/s/ Holly M. Lyons

April 8, 2009

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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